

SENATE BILL REPORT

SB 5659

As Reported By Senate Committee On:
Water, Energy & Environment, February 22, 2005

Title: An act relating to renewable energy tax credits.

Brief Description: Authorizing renewable energy tax credits.

Sponsors: Senators Pridemore, Morton, Hewitt, Poulsen, Honeyford, Mulliken, Fraser, Rockefeller, Regala, Sheldon, Keiser, Kline, Rasmussen, Oke and Kohl-Welles.

Brief History:

Committee Activity: Water, Energy & Environment: 2/15/05, 2/22/05 [DPS-WM].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: That Substitute Senate Bill No. 5659 be substituted therefor, and be referred to Committee on Ways & Means.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Fraser, Hewitt, Honeyford and Regala.

Staff: William Bridges (786-7424)

Background: Gross income derived from the operation of public and privately owned utilities is subject to the state public utility tax (PUT). The rate for electrical utilities is 3.873 percent. PUT revenues from electric utilities are deposited in the state general fund.

There are several PUT credits for electrical utilities: (1) a credit for certain electricity sales to direct service industrial businesses; (2) a credit for one-half contributions made to rural electric utility economic development projects; and (3) a credit for the provision of billing discounts to low-income customers.

Electricity produced by wind, solar, and other similar means is usually known as "renewable energy." Renewable energy is generally more expensive to generate than other forms of electricity.

To promote the use of renewable energy, markets for tradable renewable energy credits have been created. Commonly called green tags, these credits are sold in the marketplace and represent the renewable attributes of the energy. The price of a green tag originally represented the difference between the market price for electricity and the price a developer needed to make the renewable energy economically feasible. But now the price is also influenced by voluntary green energy options, renewable portfolio standards, and the CO2 mitigation market.

The Western Governor's Association has recently created the Western Renewable Energy Generation Information System (WREGIS). Currently in the final stages of adoption,

WREGIS is designed to standardize and facilitate a renewable energy-credit trading market across the western grid.

Summary of Amended Bill: Public Utility Tax (PUT) Credit for Renewable Energy.

Beginning January 1, 2006, an eligible public or private electric utility may receive a PUT credit for the purchase or generation of a renewable resource for distribution and sale to its retail customers. The credit is equal to 0.003 dollars per kilowatt hour of renewable electricity. If a utility purchases only a green tag, and not the corresponding electricity, then the credit is equal to 0.001 dollars per kilowatt hour of renewable electricity. The PUT credit terminates ten years from the date the renewable energy facility begins commercial operation.

All eligible renewable power must be generated in the Pacific Northwest after July 1, 2005, and before July 1, 2015.

The PUT credit may not be claimed for renewable energy that is already being credited in other states. Accordingly, credit applicants must report to the Department of Revenue the credits they have received for the same power in other states.

Administration of the PUT credit. The Department of Revenue must administer the PUT credit program. It must determine the eligibility requirements for individual projects. Using specified criteria, the department must report to the legislature by December 1, 2007, and every two years.

Definitions. Terms are defined, including "renewable resource." "Renewable resource" means electricity generated from: (1) wind; (2) solar energy; (3) geothermal energy; (4) landfill gas; (5) biomass energy based on animal waste or solid organic fuels from wood, forest, or field residues, or dedicated energy crops that do not include wood pieces treated with chemical preservatives; (6) wave or tidal power; (7) sewage gas from treatment facilities; or (8) water that flows through hydroelectric generating facilities in water supply or irrigation pipes or canals that are located in the state of Washington and that do not result in any new water diversions. "Pacific Northwest" has the same meaning in federal law, which includes Washington, Oregon, Idaho, and Montana west of the continental divide.

Findings. The legislature finds, among other things, that financial incentives for renewable energy will help diversify the state's energy resources, bring environmental benefits, and stabilize electricity prices.

Amended Bill Compared to Original Bill: The term "electric utility" is replaced with "light and power business," which is the term used by the Department of Revenue. The definition of "investor-owned utility" is clarified to accurately describe the privately-owned utilities regulated by the Washington Utilities and Transportation Commission. A reporting requirement is added under which credit applicants must report to the Department of Revenue the credits they have received for the same power in other states. Additional technical changes are made.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The Washington PUD Association, the Renewable NW Project, and the NW Energy Coalition spent the summer negotiating the language for this renewable incentive bill. Washington is growing out of its hydro power base and it will need more energy. This bill will encourage the generation of renewable energy sources to meet the state's growing economy and population. The bill will provide long term price stability. It will also stimulate economic development, particularly in rural areas, through construction jobs, generator operating jobs, and higher property tax revenues. The bill will also enhance energy security while providing environmental benefits.

Testimony Against: None.

Who Testified: PRO: Dave Warren, Wash. PUD Ass'n; Ann Gravatt, Renewable NW Project; Bill LaBorde, NW Energy Coalition.